

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1300 - SB 1157

March 20, 2019

**SUMMARY OF ORIGINAL BILL:** Authorizes captive insurance companies to file one change of business plan in a calendar year to the Department of Commerce and Insurance (DCI) without paying the \$400 required fee. Authorizes the Commissioner of DCI to waive the regulation that captive insurance companies must maintain their principal place of business in this state. Authorizes the Commissioner to issue a provisional license to a captive insurance company applicant for a period of no more than 60 days, and extend under certain conditions, if he deems the public interest will be served.

Authorizes a captive insurance company attempting to pay dividends to shareholders or make a material change to its initially filed plan of operation to do so within five business days of the date of notice to the Department if the request is not disapproved in that timeframe. Establishes that dividend payment regulations do not apply to risk retention groups. Authorizes, with permission of the Commissioner, a captive insurance company to hold required surplus funds, receive customer premium payments, and make claim payments in foreign currency, foreign securities, and cryptocurrency.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$5,600

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures - \$5,600

**SUMMARY OF AMENDMENT (005706):** Deletes and rewrites all language after the enacting clause such that the substantive changes are as follows: (1) deletes provision of the original bill that authorizes the Commissioner to waive the regulation that captive insurance companies must maintain their principal place of business in the state; (2) deletes provision of the original bill that authorizes the Commissioner to issue a provisional license to a captive insurance company applicant for a period of no more than 60 days, and extend under certain conditions, if the Commissioner deems the public interest will be served; (3) requires a captive insurance company using marketable securities to satisfy capital and surplus requirements to only hold bonds which have been included in the three highest grades by any of the recognized security ratings firms and file a certificate of such securities with the Commissioner for approval; (4) deletes provision of the original bill that authorizes a captive insurance company attempting to pay dividends to shareholders or make a material change to its initially filed plan of operation to do so within five business days of the date of notice to the Department, if the request is not

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disapproved in that timeframe; and (5) deletes authorization of the original bill to hold required surplus funds, receive, customer premium payments, or make claim payments in cryptocurrency.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

### **Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- Based on a roster provided on the DCI website, 140 captive insurance companies are currently active in Tennessee.
- Change of business plans must be submitted to the Commissioner in the case of any material change to a captive insurance company's originally submitted plan of operation.
- Material changes include, but are not limited to, changes in coverages, deductibles, coverage limits, rates, plans to liquidate, sell assets or merge, and changes in corporate structure or management.
- As change of business plans are only required in the case of substantial variations in policy, it can reasonably assumed that 10 percent of active captive insurers would submit this form yearly.
- The annual decrease in state revenue due to captive insurers filing one free change of business plan is estimated to be \$5,600 [(140 companies x 10%) x \$400 fee].

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

### **Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- The proposed legislation authorizes a captive insurance company to file one free change of business plan with DCI yearly.
- An estimated 10 percent of active captive insurance companies in the state will be authorized to file the form without paying the \$400, resulting in a recurring decrease in business expenditures of \$5,600 [(140 companies x 10%) x \$400 fee].

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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